On SAFARI with FICA
57th SAFARI – Forum Homini Hotel

The Size of the Trade Credit Market in South Africa

Rahil Jularr | Chief Operating Officer
Rahil Jularr | Trade Shield

CONTENTS

Trade Credit

South Africa's Unseen Financial System

- Estimated **R4–R5 trillion** in B2B credit extended annually.
- **~32% of corporate assets** in South Africa are trade receivables.
- Rivalling the **R4.8 trillion** in formal corporate bank lending (SARB, 2025).
- Yet largely **unmeasured and unregulated** — a blind spot for risk and compliance.

Sources

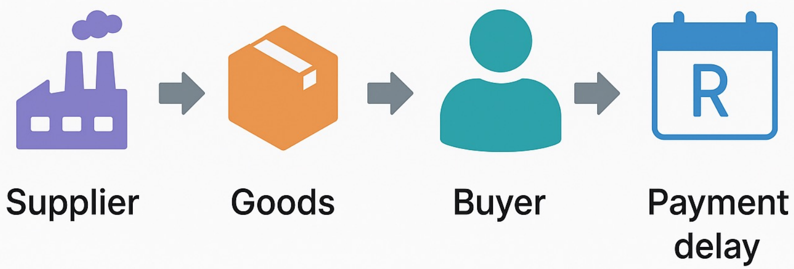
Machokoto, M., et al. (2022). Trade Credit Use in Emerging Markets

South African Reserve Bank Quarterly Bulletin, Q2 2025.

What is Trade Credit

Trade Credit = Trust on Deferred Payment

- Suppliers deliver goods / services today; buyers pay 30–60 days later.
- Provides short-term working capital without bank intermediation.
- Enables liquidity and growth, especially for SMEs



Sources

McGuinness, G. & Hogan, T. (2017). SME Finance and Trade Credit Dynamics.

TRADE SHIELD

How Trade Credit Fuels Growth

Why It Matters

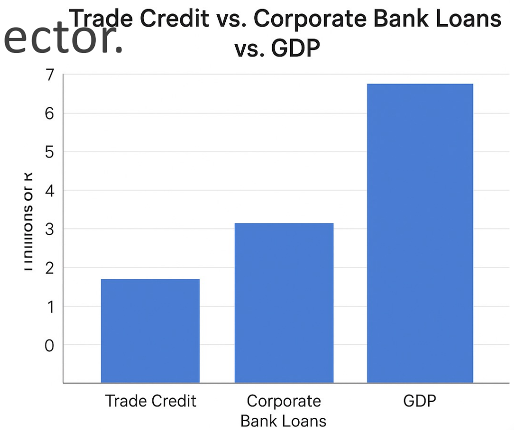
- **40% of SMEs** rely primarily on supplier credit, not bank loans.
- Provides access to finance for firms excluded from formal credit.
- Strengthens supply chains and supports employment.
- When managed responsibly, it’s a **driver of financial inclusion.**

Sources
SEFA (Small Enterprise Finance Agency), SME Finance Report (2024)
IFC, SME Finance Gap – South Africa (2023).

The Size of the Trade Credit Market

A System as Large as the Banking Sector

- **~R4–R5 trillion** outstanding at any given time.
- Equivalent to **~55% of South Africa's GDP (R8.3 trillion)**
- Trade Shield dataset: **R500 billion in ageing data** processed in the last 12 months (≈6% of GDP).
- Demonstrates the economic footprint in the sector.

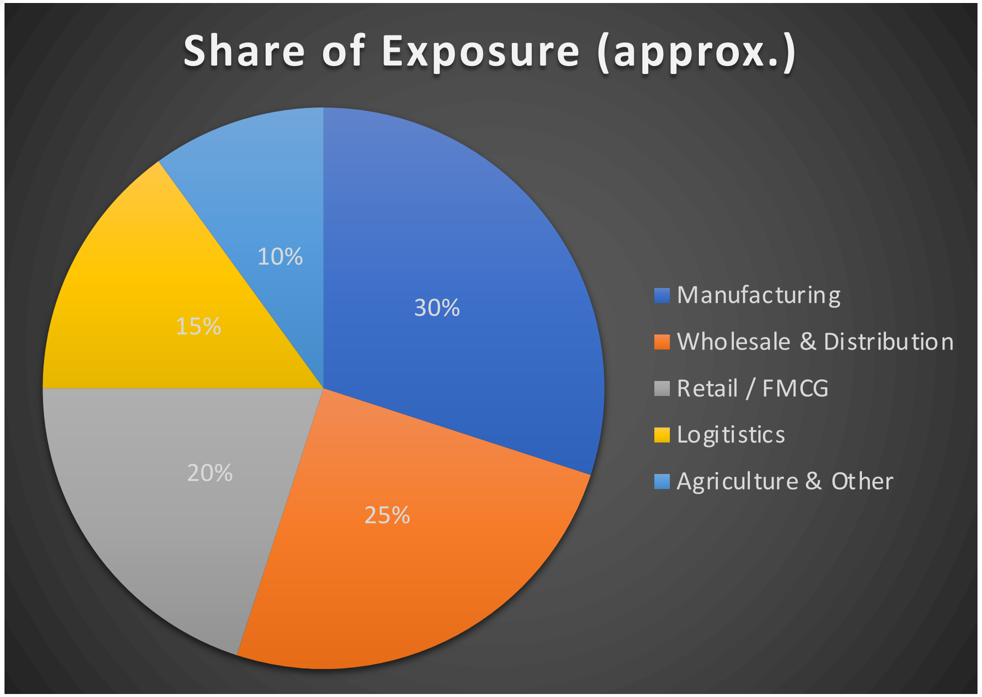


Sources
Stats SA GDP data (2025)
SARB Quarterly Bulletin, Q2 2025
Trade Shield internal analytics (2022-25).

TRADE SHIELD

Market & Sector View

Where Trade Credit Lives



Sector	Typical payment terms	Notes
Manufacturing	45–60 days	Capital-intensive, high volume
Wholesale / FMCG	7–45 days	Fast-moving receivables
Retail	30 days	Large but shorter cycles
Logistics	60–90 days	Cross-border, higher FICA risk
Agriculture & Other	90+ days	Seasonal, export-related

Sources
Trade Shield data
SARB Quarterly Bulletin 2024 (B2B Credit Ratios)

TRADE SHIELD

How Trade Credit Compares to GDP

A Parallel Economy

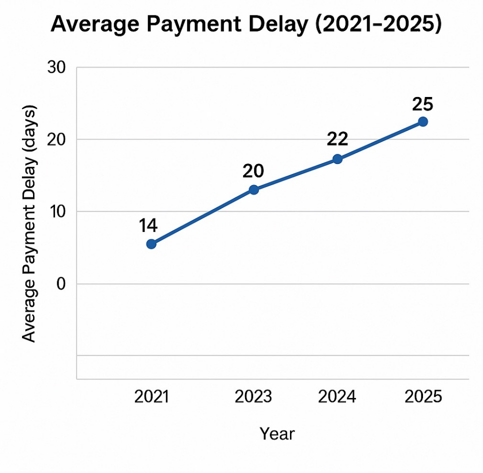
- SA GDP (2025 est.): R8.3 trillion
- Trade credit outstanding: ≈ R4.5 trillion (≈55% of GDP).
- That’s **55 cents in trade credit for every rand of GDP.**

Sources
Stats SA; Trade Shield’s Data 2022-2025

Payment Behaviour & Default Trends

When Liquidity Tightens, Risk Ripples

- **87%** of businesses experience late payments
- Average delay: **18–25 days beyond agreed terms.**
- Defaults and write-offs increased **11%** since 2023.
- Late payments distort balance sheets and obscure FICA risk signals.



Sources
Chaser Late Payments Report (2022)
SARB Financial Stability Review (2024).
Trade Shield internal analytics (2022-25).

TRADE SHIELD

The FICA Intersection

Why the Size of the Market Matters for FICA

- Credit providers are now **Accountable Institutions (AIs)** under FICA.
- FICA's scope now extends to trade, factoring, and asset-based finance.
- Each credit relationship implies:
  - **KYC** – Identify the customer.
  - **CDD** – Understand business purpose and legitimacy.
  - **EDD** – Apply deeper review for high-risk sectors.
- The larger the exposure, the **greater the compliance responsibility.**

Sources
FIC Guidance Note 7A (Sept 2025)
FATF Recommendations 10–20 (2023).

Trade-Based Money Laundering (TBML)

Where Credit and AML Risks Converge

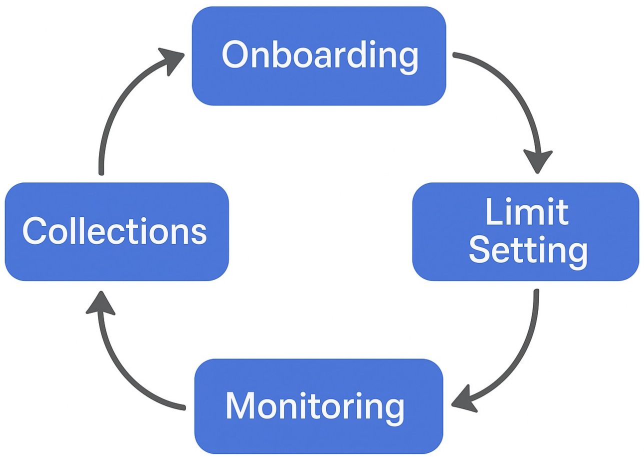
- Over/under invoicing, phantom shipments, multiple billing cycles.
- Trade credit creates timing gaps exploited to move illicit funds.
- TBML losses globally exceed **US$2 trillion annually** (FATF).
- Data visibility across invoices and payments is the strongest deterrent.

Sources
FATF, Trade-Based Money Laundering Report (2023).

FICA and the Credit Lifecycle

FICA Meets Technology

Stage	FICA Principle	Example Control
Onboarding	KYC / CDD	Verify business identity, directors
Limit Setting	Risk Assessment	Rate customer risk level (High/Med/Low)
Ongoing Reviews	EDD & Monitoring	Monitor payment behaviour & anomalies
Collections	Record Keeping	Maintain data trail for 5+ years



Compliance as a Competitive Advantage

The Data Dividend

- Data-driven credit monitoring meets both FICA and business needs.
- Automation reduces manual compliance effort.
- Transparent processes attract financiers and investors.
- Platforms like Trade Shield help credit providers monitor and risk-grade portfolios in real time.

Call to Action

Digitise | Monitor | Grow

- Credit providers are now part of the AML front line.
- FICA compliance is not paperwork — it’s risk intelligence.
- Leverage data to protect your institution and the economy. Adopt data-driven credit management.

Q&A